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SUBJECT: TATA TAKEOVER STRATEGIC BOOST FOR DUTCH STEEL MAKER CORUS

REF: 06 THE HAGUE 253

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ACCORDINGLY.

11. (U) Indian steel company Tata's \$12.2 billion offer on January 31 for the Anglo-Dutch steel company Corus ended an extended bidding war with Brazilian steel company CSN. The takeover will create the world's fifth largest steel producer in the world. (Corus currently ranks eighth, and Tata ranks fifty-fifth.) Tata's final offer was above analysts' and market estimates. Corus' management board has recommended the offer to its shareholders as "fair and reasonable" and "the best value for Corus shareholders." Corus shareholders will vote on Tata's final offer during a special still-to-be-scheduled shareholders' meeting.

12. (SBU) Eric van der Oest, a spokesman for Corus operations in the Netherlands, told Econoff that "the combination of Tata Steel and Corus was strategically compelling." Corus was already looking to consolidate in order to increase its market power towards suppliers of iron ore as well as towards steel buyers. Van der Oest said the union with Tata would strengthen Corus' market positions in automotive, construction and packaging while also creating "a more resilient business model." At the time of Indian steel company Mittal's takeover of Luxembourg-based Arcelor last year, Corus officials were already talking about the need to consolidate (see reftel). The world's "new number five" would be "a vertically-integrated global steel group" that combined an "attractive growth platform in Asia with a leading presence in Europe," he added.

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